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8 June 1954

MEMORANDUM FOR THE RECORD

SUBJECT: Areas of Responsibility for Economic Intelligence Research and Production

A meeting was held in DCI's office from 1500 to 1545 hours on 7 June 1954. The following were present:

Allen W. Dulles	CIA
Robert Amory, Jr.	CIA
W. Park Armstrong, Jr.	State
Fisher R. Howe	State
Philip H. Trezise	State
	CIA

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Background: The specific purpose of this meeting was to reach agreement on the allocation of responsibility for the research and production of NIS Chapter VI (Economic) on the Soviet Bloc areas. The broader issue involved the areas of responsibility for all economic intelligence research and production as set forth in the proposed DCID 15/1, although this document was not specifically mentioned in the meeting.

1. Mr. Dulles opened the meeting by expressing his general views on the subject. He felt the time was appropriate to make a clear-cut division on the areas of responsibility for economic intelligence research and production: State to have the principal responsibility in the Free World; CIA to assume that same responsibility for the Soviet Bloc.

2. Mr. Armstrong replied essentially in the vein of his previous memorandum to DCI: in respect to the NIS Program, he felt that certain sections of Chapter VI, specifically Sections 60 (Introduction) and 65 (Trade and Finance), should be the responsibility of State in view of their political implications; in the main, Sections 61-64 should be done by CIA with assistance of State and the Defense Agencies as indicated in his memorandum.

He noted that State needed a modicum of economists specialized on the Soviet Bloc to fulfill departmental requirements. He further observed that State had had the responsibility for Chapter VI for over five years without any serious questions being raised over the duplication of effort between State and CIA in the economic intelligence on the Soviet Bloc.

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3. Mr. Amory replied that when the original allocation of responsibility for Chapter VI was laid on, ORR "wasn't even a twinkle in anyone's eye". The present situation was quite different. In comparison with some [redacted] analysts in OIR specialized in the Bloc, excluding those assigned to NIS work, the Economic Research Area in ORR had a working organization of well over [redacted] assigned wholly to the Soviet Bloc. There was little question, therefore, as to the relative capabilities of the two shops. [redacted] Mr. Trezise noted that the figure of [redacted] analysts mentioned by Mr. Amory was far more than OIR had on board for Soviet Bloc research.⁷

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4. Mr. Dulles again returned to his fundamental thesis. He was convinced as a matter of principle that CIA should take over primary responsibility for the Soviet Bloc in the economic intelligence field. Moreover, he was having increasing difficulty with the Congress over supporting two separate activities doing essentially the same thing. He had sold the Congress on the ORR activity. It was a sound position since the Congress knew that much of the economic information on the Bloc was derived from covert sources available to CIA. He could not, having made this point with the Congress, turn around and seek appropriations in support of State's operations in the same field. In fact, to further attempt such support might well prejudice other CIA appropriations to the ultimate disadvantage of both agencies.

5. At this point Mr. Armstrong wanted to know if this principle of division of responsibilities applied to the broad field of economic intelligence as well as to the NIS Program.

6. Mr. Dulles replied in the affirmative. Mr. Amory added that the NIS was only one aspect of this broader problem. In his opinion, ORR was fully capable and should have the primary responsibility for economic intelligence research and production on the Soviet Bloc, leaning on State for economic intelligence support for the Free World (non-Soviet). He felt that any other arrangement was inefficient and a wasteful use of the tax-payer's dollar.

7. Mr. Armstrong said he was still responsible for satisfying departmental requirements for the Soviet Bloc and would need to maintain a small group of economists for this purpose.

8. Mr. Dulles said he would have no objection whatsoever to this proper function and would do everything possible to assist State in carrying it out. In view of the restrictions on use of NIS funds in FY 1955 appropriations, he asked Mr. Amory if he could obtain additional funds from other than NIS appropriations for FY 1955. Mr. Amory felt that he could lay on several special projects which would make funds available to State in the approximate amount which State had lost from NIS funds
[redacted].

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9. Mr. Dulles then asked whether or not State had any intention of obtaining NIS funds for future years under the State budget. Mr. Armstrong said State had considered this but it did not appear feasible: 1) because State had difficulty securing from the Congress the consistent level from year to year of appropriations necessary to keep NIS production consistent with JCS requirements; and 2) State's open budget hearings were incompatible with the security aspects of the NIS Program.

10. Mr. Howe wanted to know if CIA proposed to take over the Bloc economic intelligence responsibilities reposing in the Defense Agencies as in the case of State. Mr. Amory replied that the Defense Agencies had to maintain certain economic intelligence capabilities to serve operational requirements in line with departmental missions, such as submarine construction. However, CIA was proposing to take on the primary responsibility in those areas where unnecessary duplication existed in economic research on the Bloc, in particular certain research done by the Air Force involving plant analyses, and possibly in some aspects relating to transportation.

11. Other points discussed included the size and budget support of the NIS Program within State and as a whole, and the time required to complete the entire Program. The meeting closed with Mr. Dulles restating his views on the proper division of responsibilities between State and CIA, and within this framework, to give State additional fiscal support at least to the extent of [redacted] for FY 1955, which funds State could use for any purpose which did not clearly duplicate work being done by CIA. 25X1A1a This could include review of CIA materials and correlation of them for departmental use or could extend to projects in the free world where State found itself short of personnel and confronted with increased loads as a result of unforeseen developments in the world situation.

Summary Comment: Mr. Dulles appeared to state his final position on the subject. He left no doubt that he could not further support State in the allocation of responsibility for producing NIS Chapters VI on the Soviet Bloc, but was willing to approve State's maintaining a small group of Soviet Bloc economic analysts: 1) to analyze and interpret for State Department users material prepared in ORR; 2) to examine the same critically for purposes of effective participation in the national estimating process; and 3) to fulfill unique departmental requirements on the Soviet Bloc. Other than that the DCI felt compelled to make a clear-cut decision, that would be comprehensive to Congressional committees and the NSC, to the effect that primary responsibility for production of general economic intelligence on the Soviet Bloc would be performed as a service of common concern by CIA.

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